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PSC WARNS OF CONTINUED HIGH NATURAL GAS PRICES

Urges consumers to conserve energy, switch to budget billing plans

FRANKFORT, Ky. (Sept. 28, 2004) Natural gas prices will remain high this winter, the Kentucky Public Service Commission is warning consumers.

"All of the indicators are that prices this winter are going to be somewhat higher than last year," PSC Chairman Mark David Goss said. "At this point, we are anticipating increases in the range of 10 to 15 percent."

Goss said consumers should act now to prepare for the coming heating season.

"This is the time to get ready for winter by weatherizing your home," Goss said. "Also, if you haven't already done so, contact your utility about budget billing plans that give you a predictable heating bill every month, so your budget will be ready for winter, as well."

By federal law, natural gas prices are not regulated at the wholesale level, and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas they deliver to customers. The adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

Natural gas prices have risen sharply in recent years. Prices last winter were 20 percent to 40 percent higher than during the 2002-2003 heating season.

Several factors are contributing to the higher gas prices:

- Natural gas production in North America has been unable to keep pace with increasing demand. Imported gas, other than from Canada, fulfills a small portion of domestic demand.
- More natural gas is being used to generate electricity, particularly in the summer, when air conditioner usage creates peaks in the need for electric power.

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- About half the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive, and helped offset higher gas prices in the winter. With increased summer demand, that is no longer the case.

Storage is one of several tools that companies use to reduce volatility in the natural gas prices passed on to consumers. Others include the use of long-term purchase agreements that provide gas at predictable prices.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky, Inc., Delta Natural Gas Company, Inc., Louisville Gas and Electric Company and The Union Light, Heat, and Power Company. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

“As we enter the heating season, we will have a better sense of how weather may affect demand for natural gas and what effect that has on prices,” Goss said. “If we have an unusually cold winter, consumers need to be prepared for the possibility of sharply higher prices.”

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HIGH NATURAL GAS PRICES

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of higher gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Division of Energy, on the Web at:

<http://www.energy.ky.gov/>

Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Families and Children. For information on weatherization assistance, call 502-564-7536, Extension 4235, or go to:

<http://cfc.state.ky.us/help/weatherization.asp>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>